

Message Text

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ACTION ARA-10

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E.O. 11652: N/A
TAGS: ENRG, VE, DR
SUBJ: PETROLEUM EXPLORATION CONTRACTS SIGNED

REF: A) SANTO DOMINGO A-17, B) 76 SANTO DOMINGO A-121, C)
76 SANTO DOMINGO 1926

BEGIN SUMMARY: GODR HAS SIGNED OR IS ABOUT TO SIGN CONCESSION CONTRACTS FOR PETROLEUM EXPLORATION IN THE COUNTRY WITH FOUR FIRMS, TWO OF WHICH ARE UNITED STATES COMPANIES. ONE OTHER US FIRM WILL, APPARENTLY, NOT CONCLUDE AN AGREEMENT WITH THE GOVERNMENT. THE CONTRACTS DELINEATE THE AREAS TO BE EXPLORED BY EACH COMPANY, AND SPECIFY THE PERCENTAGE SPLIT FOR BOTH THE GOVERNMENT AND THE CONCESSIONAIRE SHOULD OIL BE DISCOVERED IN EXPLOITABLE QUANTITIES. CONTRACT TERMS ARE NOT UNIFORM, BUT VARY WITH EACH INDIVIDUAL CASE. ALL EXPLORATION COSTS ARE TO BE BORNE BY THE COMPANIES. IT IS FELT BY MANY OBSERVERS THAT THE VENEZUELAN FIRM, PETROLERA LAS MERCEDES, S.A. A FORMER SUBSIDIARY OF TEXACO, NOT ONLY HAS RIGHTS TO THE AREA MOST LIKELY TO PRODUCE OIL IN EXPLOITABLE QUANTITIES, BUT ALSO HAS THE

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MOST FAVORABLE CONTRACT TERMS. END SUMMARY.

1. LAS MERCEDES SIGNED ITS AGREEMENT WITH THE GOVERNMENT ON JANUARY 4, 1977, AND BEGAN PRELIMINARY EXPLORATION WORK ON JANUARY 7. THE COMPANY HAS RIGHTS TO EXPLORATION IN THE ZONES OF AZUA AND BANI AS WELL AS OFFSHORE FROM PUNTA PALENQUE TO THE HAITIAN BORDER WITH

THE EXCEPTION OF NEIBA BAY. COMPANY TECHNICIANS CLAIM THAT PRELIMINARY STUDIES ARE VERY PROMISING. UNDER TERMS OF THE CONTRACT, SHOULD OIL BE FOUND IN EXPLOITABLE QUANTITIES, THE STATE'S SHARE WOULD BE AS FOLLOWS:

ONSHORE

OFFSHORE

TOTAL PRODUCTION BARRELS PER HUNDRED TO STATE		TOTAL PRODUCTION BARRELS PER HUNDRED TO STATE	
1 - 20,000	20	1 - 50,000	10
20,001 - 30,000	25	50,001 - 75,000	15
30,001 - 50,000	30	75,001 - 100,000	20
50,001 - 100,000	35	100,001-150,000	25
100,001 - UP	40	150,001 - UP	30

2. QUISQUEYA OIL, A DOMINICAN COMPANY WITH AUTHORIZED CAPITAL OF RD\$3 MILLION, WILL DIVIDE ON A 50-50 BASIS WITH THE GODR ANY PRODUCTION FROM THE AREA FOR WHICH IT SIGNED A CONCESSIONAIRE CONTRACT ON JANUARY 28, 1977. QUISQUEYA'S CONCESSION GIVES IT EXPLORATION RIGHTS IN THE NORTHERN PART OF THE COUNTRY, INCLUDING THE CIBAO VALLEY AND OFFSHORE DRILLINGS FROM CABRERA TO MONTECRISTI ON THE HAITIAN BORDER.

3. THE TWO AMERICAN FIRMS REACH AGREEMENT ON CONCESSION CONTRACT TERMS ARE EASTERN PETROLEUM COMPANY, AN ALABAMA FIRM WITH FINANCIAL BACKING FROM A REFINING COMPANY CALLED CRYSTAL, AND CARIBOIL TEXAS CRUDE, A CON-

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SORTIUM WHICH INCLUDES A SMALL DALLAS-BASED COMPANY. EASTERN, WHICH WILL EXPLORE IN THE LAGO ENRIQUILLO BASIN, BAS, LIKE LAS MERCEDES, A SLIDING SCALE TO DETERMINE THE GOVERNMENT'S SHARE IN PRODUCTION. EASTERN'S SCALE, HOWEVER, WILL BE FAR MORE FAVORABLE TO THE STATE, GOING AS HIGH AS 70 BARRELS PER HUNDRED. ALTHOUGH THERE ARE CONFLICTING REPORTS ABOUT THE CARIBOIL CONTRACT, THE GODR SHARE WILL APPARENTLY RANGE FROM 50 PERCENT TO 60 PERCENT. CARIBOIL IS TO EXPLORE IN THE SAN JUAN DE LA MAGUANA BASIN.

4. WHITE SHIELD CORPORATION HAS DECIDED NOT RPT NOT TO SIGN THE CONCESSION CONTRACT OFFERED IT FOR NORTH AND SOUTH COAST OFFSHORE DRILLINGS. BOTH THE GOVERNMENT AND WHITE SHIELD CONSIDERED THE OTHER'S TERMS EXCESSIVE IN THE NEGOTIATIONS. CARLOS SELIMAN, ECONOMIC ADVISER TO THE PRESIDENT AND MEMBER OF THE GOVERNMENT PETROLEUM COMMISSION--OTHER MEMBERS ARE FERNANDO PERICHE, GOVERNOR

OF THE CENTRAL BANK, AND DR VICTOR GOMEZ, SECRETARY OF FINANCE--CLAIMS THAT TWO OTHER US COMPANIES ARE INTERESTED IN OBTAINING THE CONCESSION WHICH WHITE SHIELD TURNED DOWN. SELIMAN DID NOT IDENTIFY THE COMPANIES.

5. SIGNING OF THE EXPLORATION CONTRACTS IS ONLY THE LONG-AWAITED FIRST STEP IN THE DR'S SEARCH FOR EXPLOITABLE PETROLEUM WITHIN ITS BOUNDARIES. PRESENCE OF SMALL QUANTITIES OF OIL IN THE AZUA AREA HAS LONG BEEN KNOWN, BUT HOW MUCH IS THERE AND ELSEWHERE IN THE COUNTRY REMAINS TO BE DETERMINED.

HURWITCH

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Message Attributes

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Disposition History: n/a
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